Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Office of the Superintendent of Financial Institutions

2015-16

Report on Plans and Priorities

The Honourable Joe Oliver
Minister of Finance

OSFI
BSIF

Canada

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Message from the Superintendent

This report highlights OSFI's priorities for the 2015-2016 fiscal year. In keeping with our mandate, anticipating and responding to risks remains one of OSFI's key priorities. Thus we will continue to focus on the global economy and the impact of interest rate conditions on the risk profiles of financial institutions and pension plans, and closely monitor household debt levels in Canada. We will also remain focused on assessing operational risks in financial institutions, including those related to cyber security and outsourcing risk.

We continue to participate actively in the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS) and the International Association of Insurance Supervisors (IAIS). In completing the post-crisis reform agenda, we will monitor implementation of international regulatory reforms and consider appropriate actions for Canada. We will also work with federally regulated financial institutions in implementing accounting, auditing, and information disclosure reforms. OSFI will continue to engage with international regulatory counterparts to complete work on cross-border prudential issues.

Another priority is related to enhancing OSFI's supervisory processes. We will complete a comprehensive review of OSFI's supervision processes and their alignment with international best practices, and will implement changes to enhance our effectiveness. For large, complex, federally regulated financial institutions in particular, we will continue to focus on post-crisis priorities such as their data aggregation and risk reporting capabilities. We will deepen OSFI's understanding of risk factors arising from, and oversight of, parts of the financial system that are outside OSFI's direct responsibilities (e.g. shadow banking and securities financing) but that could affect financial stability.

In the insurance sector, we will continue to implement the reforms set out in the Update to the Life Insurance Regulatory Framework and the changes to property and casualty insurance capital requirements. In the pensions sector, we will support the implementation of new Pooled Registered Pension Plans (PRPPs).

In fulfilling its mandate, OSFI will also continue to further strengthen its high performing and effective workforce and to make investments in corporate infrastructure, particularly in renewing IT systems. We will deliver on these priorities while exercising the expenditure restraint expected of all branches of the federal government.

Strong cooperation and communication with our federal partners, such as the Bank of Canada, the Department of Finance, Canada Deposit Insurance Corporation and the Financial Consumer Agency of Canada, will help us to continue to achieve our mandate.

Our employees are the most important element of our effectiveness. All Canadians can continue to count on the ongoing dedication and professionalism of OSFI employees throughout 2015-2016 and beyond.

Section I: Organizational Expenditure Overview

Organizational Profile

Appropriate Minister: Joe Oliver

Superintendent: Jeremy Rudin

Ministerial portfolio: Finance

Enabling Instrument(s): *Office of the Superintendent of Financial Institutions Act* (OSFI Act)[i]

Year of Incorporation / Commencement: 1987

Organizational Context

Raison d'être

The Office of the Superintendent of Financial Institutions (OSFI) was established in 1987 by an Act of Parliament: the *Office of the Superintendent of Financial Institutions Act*. It is an independent agency of the Government of Canada and reports to Parliament through the Minister of Finance.

OSFI supervises and regulates all banks in Canada and all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and private pension plans. OSFI's mandate does not include consumer-related issues or the securities industry.

The Office of the Chief Actuary (OCA), which is an independent unit within OSFI, provides actuarial valuation and advisory services for the Canada Pension Plan, the Old Age Security program, the Canada Student Loans and Employment Insurance Programs and other public sector pension and benefit plans.

Responsibilities

OSFI was created to contribute to public confidence in the Canadian financial system.

Under its legislation, OSFI's mandate is to

- Supervise federally regulated financial institutions (FRFIs) and pension plans to determine whether they are in sound financial condition and meeting minimum plan funding requirements respectively, and are complying with their governing law and supervisory requirements;
- Promptly advise institutions and plans in the event there are material deficiencies and take or require management, boards or plan administrators to take necessary corrective measures expeditiously;
- Advance and administer a regulatory framework that promotes the adoption of policies and procedures designed to control and manage risk;
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

OSFI's legislation has due regard to the need to allow institutions to compete effectively and take reasonable risks. The legislation also recognizes that management, boards of directors and plan administrators are ultimately responsible and that financial institutions and pension plans can fail.

The OCA, which is part of OSFI, provides actuarial services to the Government of Canada.

Strategic Outcomes and Program Alignment Architecture (PAA)

1. Strategic Outcome: A safe and sound Canadian financial system

- **1.1 Program:** Regulation and Supervision of Federally Regulated Financial Institutions
  - **1.1.1 Sub-Program:** Risk Assessment and Intervention
  - **1.1.2 Sub-Program:** Regulation and Guidance
  - **1.1.3 Sub-Program:** Approvals and Precedents
- **1.2 Program:** Regulation and Supervision of Federally Regulated Private Pension Plans

2. Strategic Outcome: A financially sound and sustainable Canadian public retirement income system

- **2.1 Program:** Actuarial Valuation and Advisory Services
  - **2.1.1 Sub-Program:** Services to the Canada Pension Plan and Old Age Security Programs
  - **2.1.2 Sub-Program:** Services to Public Sector Pension and Insurance Programs
  - **2.1.3 Sub-Program:** Services to the Canada Student Loans and Employment Insurance Programs

Internal Services

Organizational Priorities

Organizational Priorities

Priority	Type[1]	Strategic Outcome(s)
Anticipating and Responding to Risks	Ongoing	Strategic Outcome 1

Description

Why is this priority?

OSFI values sound risk management practices internally, consistent with the high expectations it places on the regulated entities it supervises. Knowledge of the risks stemming from the economy, financial system and other sources informs the regulatory and supervisory actions that OSFI undertakes.

What are the plans for meeting this priority?

- Continue to enhance OSFI's ability to proactively monitor the impacts of changes in the economy on the risk profile of institutions and, where appropriate, adjust OSFI regulatory and supervisory expectations.
- Deepen OSFI's understanding of risk factors arising from, and the oversight of, the parts of the financial system that are outside of OSFI's direct responsibilities (e.g., shadow banking, securities financing), but which may affect the safety and soundness of FRFIs and OSFI's prudential oversight activities.
- Continue to focus on the following supervisory areas:
  - Compensation, corporate governance, risk management oversight capabilities including data aggregation and risk reporting, especially by large complex FRFIs; and
  - Operational risk, including cyber security and outsourcing risks.

Priority	Type	Strategic Outcome(s)
Enhancing Supervisory Processes	Ongoing	Strategic Outcome 1

Description

Why is this priority?

In order to remain effective as a supervisor, OSFI must continue to evolve and enhance its own supervisory practices in response to changes in the economy and the financial system as well as to meet rising international standards.

What are the plans for meeting this priority?

- Support the implementation of updated supervisory methodology and processes with the right enabling technology.
- Ensure that the application of guidelines and methodology and the implementation of supervisory activities are risk-based and scaled to the size and complexity of institutions.
- Articulate OSFI's tolerance for the level of risk undertaken by financial institutions and how the allocation of regulatory and supervisory resources will be guided by that tolerance. OSFI's risk tolerance statement will consider both FRFIs' need to compete effectively and take reasonable risks

[1] Type is defined as follows: previously committed to—committed to in the first or second fiscal year prior to the subject year of the report; ongoing—committed to at least three fiscal years prior to the subject year of the report; and new—newly committed to in the reporting year of the RPP or DPR.

as well as the effect that such institution(s) could have on public confidence in the Canadian financial system should they encounter financial difficulties (or failure).

Priority	Type	Strategic Outcome(s)
Completing the Post-Crisis Reform Agenda	Ongoing	Strategic Outcome 1

Description

Why is this priority?

A number of reforms have been agreed to internationally in the wake of the global financial crisis. It is important that those reforms be understood by OSFI and that domestic practices be amended as appropriate, to ensure that the Canadian regulatory and supervisory frameworks remain effective.

What are the plans for meeting this priority?

Banking Reforms:

- Complete the implementation of banking regulatory reforms in a way that is tailored to the needs of the Canadian financial system.
- Deepen OSFI's understanding of asset encumbrance practices and clarify expectations on the extent to which banks can pledge assets or otherwise provide security to counterparties and creditors.
- Complete work on cross-border prudential issues by setting expectations for solo capital and liquidity requirements; deepening formal relationships with relevant foreign regulators; and by setting supervisory expectations around gone-concern loss-absorbing capacity (GLAC).
- Support Financial Institutions Supervisory Committee (FISC) partner agencies in establishing a sound resolution framework for major banks and insurance companies in Canada.
- Review the business models, risk appetites and controls of major bank capital markets platforms and assess whether the size, scope and tail risks of these activities are consistent with the prudential view of each of the organizations as a whole.

Insurance Reforms:

- Implement the suite of domestic reforms set out in the Life Insurance Regulatory Framework publication, as well as new property and casualty insurance capital requirements.
- Actively participate in the development of global insurance capital standards. In addition, monitor the implementation of prudential insurance reforms in other jurisdictions and consider appropriate Canadian responses.
- Develop a separate capital guideline and update the methodology for determining capital requirements for private sector mortgage insurance companies.

Pensions Reforms:

- Support the implementation of Pooled Registered Pension Plans (PRPP).

Accounting, Auditing and Information Disclosure Reforms:

- Work with FRFIs to implement changes in accounting standards and adjust OSFI prudential requirements, as appropriate.
- Ensure that major FRFIs continue to publicly disclose information on their financial condition and risk management practices to an extent and in a manner that supports financial stability.

Priority	Type	Strategic Outcome(s)
Maintaining a High-Performing Workforce	Ongoing	Strategic Outcomes 1 and 2

Description

Why is this priority?

In a context of rapid change, focusing on effective change management, learning and development and efficient staffing practices will facilitate continued success in meeting OSFI business goals.

What are the plans for meeting this priority?

- Ensuring regular and timely two-way communication with staff.
- Actively support employees in becoming more productive through better training and development and more effective knowledge transfer.
- Staff vacant positions more quickly.
- Continue to plan for, monitor and support the potential impact of organizational and systems changes to minimize operational disruption while maximizing return on investment.
- Continue to enhance OSFI's ability to effectively deploy our resources and respond to change while demonstrating fiscal restraint.

Priority	Type	Strategic Outcome(s)
Enhancing OSFI's Corporate Infrastructure	Ongoing	Strategic Outcomes 1 and 2

Description

Why is this priority?

Continuous strengthening of internal systems, processes, and controls will enable OSFI to work more effectively and efficiently.

What are the plans for meeting this priority?

- Develop and implement a new Information Technology plan to prepare OSFI to adopt proven technologies to support planned business needs.
- Complete implementation of enterprise-wide information and data management frameworks to facilitate informed decision making and efficiently manage OSFI corporate records.
- Define the workplace of the future (physical space, systems, etc.) to enhance efficiencies and effectiveness and develop a plan for achieving this as OSFI enters into new office leases.

Risk Analysis

Key Risks

In order to achieve its mandate and objectives, OSFI seeks to mitigate risks posed by economic, financial and other environmental factors that may affect the financial services industry or OSFI itself. While many of these risks are continuously present, the extent to which they pose a threat to OSFI varies over time.

In recent years, the stability of the financial system has been threatened by a number of factors including global financial uncertainty, historically low interest rates, and elevated household indebtedness in Canada. These trends elevate the risk profile of financial institutions (FIs) and require OSFI to adjust, as appropriate, its regulatory and supervisory regime to ensure that it supports the resiliency of FIs. While these trends remain of concern and are factored in OSFI's organizational priorities and ongoing operations, the two risks noted in the table below, i.e. *Cyber Security Events* and *Shared or Harmonization Initiatives*, were deemed to require heightened attention. It was established, through the Enterprise Risk Management process, that mitigation actions were required to further reduce exposure to these risks.

Risk	Risk Response Strategy	Link to Program Alignment Architecture
Cyber Security Events: Financial institutions may lack resilience to sustained levels of stress caused by cyber security events. This risk is of concern given the rapid evolution of cyber-attacks, their increasing number, and system interdependencies creating multiple points of vulnerability for institutions.	OSFI will pursue its mitigation efforts to reduce risk exposure in the cyber security area. These include: • Monitoring and following-up on FIs' response to OSFI's cyber security self-assessment guidance (i.e. adherence to their response plan). • Following-up on Distributed Denial of Service preparedness, cyber security, IT governance and risk management reviews. Measure(s) that will be used to gauge the effectiveness of the above risk responses implemented in 2015-16 include: • Adherence of FIs to their response plans is monitored, and recommendations made/follow-ups conducted where gaps are identified.	Program 1.1: *Regulation and Supervision of Federally Regulated Financial Institutions*
Shared or Harmonization Initiatives: This risk relates to the service and cost implications on OSFI as a result of the centralization and standardization of operations across the Government of Canada. Given its small size, OSFI needs to monitor, plan for, and carefully manage the	OSFI will work proactively with central agencies in order to contribute to the government-wide efficiency agenda, all the while managing the impacts of shared or harmonization initiatives on its productivity. OSFI will devote additional efforts into: • Planning for, monitoring and supporting the transition to new or updated corporate systems (e.g. Phoenix, Shared Travel Services, website content migration to the Canada.ca site). Measure(s) that will be used to gauge the effectiveness of the above risk responses implemented in 2015-16 include:	Program 1.1: *Regulation and Supervision of Federally Regulated Financial Institutions* *Program 2.1: Actuarial Valuation and Advisory Services*

Risk	Risk Response Strategy	Link to Program Alignment Architecture
implementation of shared or harmonization initiatives to minimize business disruption and maintain the flexibility necessary to conduct business effectively.	• Change management plans are developed, communicated and monitored. • Results of the biennial Employee Survey indicate improvements in areas related to change management.	

Although the focus of this section is on external risks, OSFI continues to face a number of internal risks. For the 2015-16 planning period, the organization will devote increased efforts to clarifying regulatory and supervisory risk tolerance and to mitigating risks associated with supervisory processes, human resources capacity and capability, and system effectiveness.

Planned Expenditures

Budgetary Financial Resources (dollars)

2015–16 Main Estimates	2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
147,934,112	147,934,112	163,287,096	149,575,713

The financial resources table above provides a summary of the total planned spending for OSFI for the next three fiscal years.

Human Resources (Full-Time Equivalents—FTEs)

2015–16	2016–17	2017–18
718	718	718

The human resources table above provides a summary of the total planned full-time equivalent resources for OSFI for the next three fiscal years.

Budgetary Planning Summary for Strategic Outcomes and Programs (dollars)

Strategic Outcomes, Programs and Internal Services	2012–13 Expenditures[2]	2013–14 Expenditures[3]	2014–15 Forecast Spending	2015–16 Main Estimates	2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
Strategic Outcome 1: A safe and sound Canadian financial system.							
1.1 Regulation and Supervision of Federally Regulated Financial Institutions	67,148,283	75,599,505	77,879,521	78,956,478	78,956,478	79,794,022	80,640,901
1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	4,719,130	4,342,314	4,247,856	4,105,818	4,105,818	4,149,267	4,193,198
Subtotal	**71,867,413**	**79,941,819**	**82,127,377**	**83,062,296**	**83,062,296**	**83,943,289**	**84,834,099**
Strategic Outcome 2: A financially sound and sustainable Canadian public retirement income system.							
2.1 Actuarial Valuation and Advisory Services	4,475,526	5,209,861	5,975,247	6,130,074	6,130,074	6,198,059	6,266,858
Strategic Outcome 2 Subtotal	**4,475,526**	**5,209,861**	**5,975,247**	**6,130,074**	**6,130,074**	**6,198,059**	**6,266,858**
Internal Services Subtotal	**52,296,952**	**65,650,453**	**61,047,276**	**58,741,742**	**58,741,742**	**73,145,748**	**58,474,756**
Total	**128,639,891**	**150,802,133**	**149,149,900**	**147,934,112**	**147,934,112**	**163,287,096**	**149,575,713**

OSFI's overall spending is expected to be fairly stable over the planning horizon, with the exception of 2016-17 when expenses will be 10.4% higher temporarily due to the relocation of the Toronto office following the expiry of that lease in 2017.

[2] The majority of OSFI's expenditures are recovered via respendable revenue. In order to provide an accurate representation of OSFI's spending, amounts shown reflect gross expenditures.

[3] Ibid.

At the program level, the significant variances are as follows:

- Spending in the Regulation and Supervision of Federally Regulated Financial Institutions program increased by 12.6% in 2013-14 to account for OSFI's expanded mandate to oversee Canada Mortgage and Housing Corporation's commercial activities, increased work related to credit risk oversight, the implementation of a revised approach to assessing operational risk, and new work related to corporate governance.
- Spending in the Actuarial Valuation and Advisory Services program is forecasted to increase by 14.7% in 2014-15 with the staffing of vacant positions and new resources to address incremental work related to actuarial valuations.
- In 2013-14, spending in Internal Services increased by 25.5% from the previous year due to significant non-recurring payments related to the curtailment of severance for unionized employees and the settlement of a pay equity claim. The costs associated with OSFI's 5-year Information Technology Renewal program, which will be completed in 2014-15, also contributed to the spending increase.
- Spending in Internal Services is expected to increase by 24.5% in 2016-17 due to the Toronto office relocation costs.

Alignment of Spending With the Whole-of-Government Framework

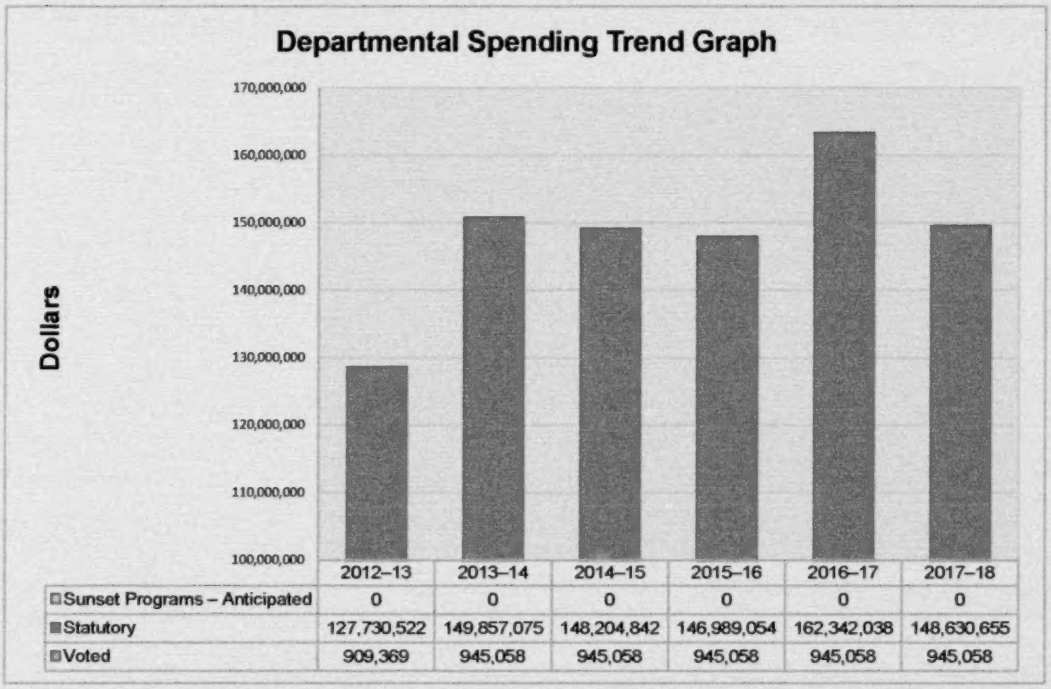
Alignment of 2015–16 Planned Spending With the Whole-of-Government Framework[ii] (dollars)

Strategic Outcome	Program	Spending Area	Government of Canada Outcome	2015–16 Planned Spending
1. A safe and sound Canadian financial system.	1.1 Regulation and Supervision of Federally Regulated Financial Institutions	Economic Affairs	Strong economic growth	78,956,478
	1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	Economic Affairs	Income security and employment for Canadians	4,105,818
2. A financially sound and sustainable Canadian public retirement income system.	2.1 Actuarial Valuation and Advisory Services	Economic Affairs	Income security and employment for Canadians	6,130,074

Total Planned Spending by Spending Area (dollars)

Spending Area	Total Planned Spending
Economic Affairs	89,192,370
Social Affairs	0
International Affairs	0
Government Affairs	0

Departmental Spending Trend



	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18
Sunset Programs – Anticipated	0	0	0	0	0	0
Statutory	127,730,522	149,857,075	148,204,842	146,989,054	162,342,038	148,630,655
Voted	909,369	945,058	945,058	945,058	945,058	945,058

The above graph represents OSFI's actual and planned spending from 2012-13 to 2017-18. Statutory expenditures, which are recovered from respendable revenue[4], represent 99.4% of total expenditures. The remaining 0.6% of OSFI's spending is funded from a Parliamentary appropriation for actuarial services related to public sector employee pension and insurance plans.

Total OSFI spending grew 17.2% in 2013-14, primarily due to the curtailment of severance for unionized employees, the full-year impact of employees hired during 2012-13, normal inflation and merit adjustments, investments in OSFI's Information Technology Renewal (ITR) program, and the settlement of a pay equity claim dating from 1987 to 1997 that was previously provisioned for but paid out in 2013-14.

Expenditures are forecasted to decrease by 1.1% in 2014-15 as a result of non-recurring costs in the previous year. These are offset by normal merit and inflationary increases per the collective agreements.

[4] OSFI is funded mainly through asset-based, premium-based or membership-based assessments on the financial institutions and private pension plans that OSFI regulates and supervises, cost-recovered services, and a user-pay program for selected services.

Expenditures are planned to increase 10.4% in 2016-17 before falling back in the subsequent year due to the Toronto office relocation as explained in the Planned Expenditures section.

Over the planning years, OSFI's staff complement is expected to remain fairly stable.

Estimates by Vote

For information on OSFI's organizational appropriations, consult the *2015–16 Main Estimates* on the Treasury Board of Canada Secretariat website.[iii]

Section II: Analysis of Programs by Strategic Outcome

Strategic Outcome One: A safe and sound Canadian financial system.

Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions

Description

This program involves regulating and supervising federally regulated financial institutions (FRFIs) to determine whether they are in sound financial condition and are complying with their governing laws and supervisory requirements; monitoring the financial and economic environment to identify issues that may impact these institutions negatively; and intervening in a timely manner to protect depositors and policyholders from undue loss, while recognizing that management and boards of directors are ultimately responsible, and that financial institutions can fail.

Costs for this program are recovered through base assessments and user fees and charges paid by the federally regulated financial institutions covered under the Bank Act, Trust and Loan Companies Act, Insurance Companies Act, Green Shield Canada Act, Protection of Residential Mortgage or Hypothecary Insurance Act and Cooperative Credit Associations Act. The Office of the Superintendent of Financial Institutions also receives revenues for cost-recovered services to provinces, for which it provides supervision of their institutions on a fee for service basis.

Budgetary Financial Resources (dollars)

2015–16 Main Estimates	2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
78,956,478	78,956,478	79,794,022	80,640,901

Human Resources (Full-Time Equivalents [FTEs])

2015–16	2016–17	2017–18
452	452	452

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Protect depositors and policy holders while recognizing that all failures cannot be prevented.	Estimated Recoveries on Failed Institutions (percentage recovered per dollar of claim).	90%	March 31, 2016
	Percentage of institutions with a Composite Risk Rating of low or	80%	March 31, 2016

Expected Results	Performance Indicators	Targets	Date to be Achieved
	moderate.		
OSFI's regulatory and supervisory framework is consistent with international standards.	OSFI's regulatory and supervisory framework is deemed consistent with international standards.	100%	March 31, 2016

Planning Highlights

As outlined in the Organizational Priorities section of this report, the overall focus of the Regulation and Supervision of Federally Regulated Financial Institutions program will be on anticipating and responding to risks and on completing the post financial crisis reform agenda. In doing so, OSFI will continue to ensure that an effective regulatory framework is in place, which focuses on protecting depositors and policy holders. As such, efforts will be dedicated to the evolution and enhancement of supervisory processes, including approval processes and the handling of precedential issues.

Sub-Program 1.1.1: Risk Assessment and Intervention

Description

OSFI regulates and supervises financial institutions to determine whether they are in sound financial condition and are complying with their governing statute law and supervisory requirements. This program involves the administration and application of an effective supervisory process to assess the safety and soundness of regulated financial institutions by evaluating an institution's risk profile, financial condition, risk management processes, and compliance with applicable laws and regulations. This program includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene on a timely basis when a financial institution's business practices may be imprudent or unsafe, by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures to protect depositors and policy holders.

Budgetary Financial Resources (dollars)

2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
53,698,903	54,263,296	54,833,882

Human Resources (FTEs)

2015–16	2016–17	2017–18
328	328	328

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Issues in institutions are identified and acted on at an early stage.	Percentage of supervisory rating increases that are two or more levels within any rolling three month period.	20%	March 31, 2016
	Percentage of supervisory letters that are issued within established standards.	80%	March 31, 2016

Planning Highlights

The Risk Assessment and Intervention sub-program will focus on supervisory activities, including enhancing supervisory processes through the following activities:

- Implementing recommendations for improvement from the review of supervisory methodology and processes, and developing business requirements for the technology to enable these improvements.

- Supporting the implementation of updated supervisory methodology and processes with enabling technology.
- Articulating OSFI's internal risk tolerance to guide the level of supervisory intensity.
- Assessing risk data aggregation and risk reporting capabilities across domestic systemically important banks (DSIBs), as well as monitoring the implementation of common and bank-specific data quality measures.
- Conducting compensation and corporate governance/risk management oversight assessments with DSIBs based on updated expectations and links to their risk appetite framework and risk culture.
- Undertaking a macro stress testing exercise with the DSIBs in cooperation with the Bank of Canada.
- Formalizing OSFI's expectations with respect to international and domestic developments through operational risk management and business continuity guidance.
- Monitoring federal cyber security legislation to ensure coordination with OSFI's activities in this area.
- Monitoring and following-up on FIs' response to OSFI's cyber security self-assessment guidance and following-up on Distributed Denial of Service preparedness, cyber security, IT governance and risk management reviews.
- Conducting Supervisory Colleges for DSIBs, as well as Risk Management Seminars for the banking and insurance sectors.
- Developing a supervisory training framework.

These efforts will continue to contribute to reaching or exceeding established performance targets.

Sub-Program 1.1.2: Regulation and Guidance

Description

This program involves advancing and administering a regulatory framework of rules and guidance that promotes the adoption by regulated financial institutions of sound risk management practices, policies and procedures designed to plan, direct and control the impact on the institution of risks arising from its operations.

This program includes the issuance of various forms of guidance, which may include guidelines and advisories as well as input into federal legislation and regulations affecting financial institutions; contributions to accounting, auditing and actuarial standards; and involvement in a number of international regulatory activities.

Budgetary Financial Resources (dollars)

2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
20,579,977	20,805,317	21,033,301

Human Resources (FTEs)

2015–16	2016–17	2017–18
93	93	93

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Timely response to market changes and/or industry suggestions that guidance need updating.	Percentage of industry stakeholders who rate OSFI as good or very good at responding in a timely manner to market changes or to industry suggestions that guidance need updating.	75%	March 31, 2016
Guidance effectively communicates OSFI's expectations.	Percentage of industry stakeholders that rate OSFI's guidance as somewhat or very effectively indicating OSFI's expectations.	75%	March 31, 2016
Industry is consulted on the development of guidance.	Percentage of industry stakeholders that rate OSFI as good or very good at consulting with industry on the development of guidance.	70%	March 31, 2016

Planning Highlights

The focus of the Regulation and Guidance sub-program continues to be on ensuring that OSFI's regulatory framework remains effective and responsive by making appropriate adjustments to align with international and domestic developments in the following areas:

Banking:

- Implementing relevant over-the-counter derivatives market reforms, the recently revised Basel large exposure framework, and operationalizing the bail-in regime in Canada.
- Advancing the Canadian view in international discussions on the role of bank risk models in the Basel Capital Framework.
- Continuing to support FISC partner agencies in establishing a sound resolution framework for major banks and insurance companies in Canada.
- Enhancing OSFI's understanding of asset encumbrance practices at banks and clarifying expectations on the extent to which banks can pledge assets or otherwise provide security to counterparties and creditors.

Insurance:

- Implementing the suite of domestic reforms set out in the Life Insurance Regulatory Framework publication, including continuing work on a more risk sensitive standardized capital framework for life insurers plus implement the new property and casualty insurance capital requirements.
- Participating in the development of global insurance capital standards and monitoring the implementation of insurance reforms in other jurisdictions, as well as considering appropriate Canadian responses.
- Developing a separate capital guideline for private sector mortgage insurance companies.

Both banking and insurance:

- Completing work on cross-border prudential issues by setting expectations for solo capital and liquidity requirements, enhancing formal relationships with relevant foreign regulators, and setting supervisory expectations around gone-concern loss-absorbing capacity.
- Continuing to liaise with the Senior Advisory Committee (SAC) to share OSFI emerging risk and vulnerability concerns and to gain appreciation of partner agency concerns, particularly in areas outside of OSFI's mandate, but which may affect FRFIs.

Accounting:

- Continuing to monitor and work with FRFIs to implement changes in accounting and auditing standards and adjusting OSFI prudential requirements as appropriate.

- Ensuring that major FRFIs continue to publicly disclose information on their financial condition and risk management practices to an extent and in a manner that supports financial stability.

These efforts will contribute to reaching or exceeding established performance targets

Sub-Program 1.1.3: Approvals and Precedents

Description

Federally regulated financial institutions are required to seek regulatory approval for certain types of transactions. This program involves evaluating and processing applications for regulatory consent; establishing positions on the interpretation and application of the federal financial institutions' legislation, regulations and guidance; identifying precedential transactions that may raise policy or precedent-setting issues; and developing recommendations that recognize the need to allow institutions to compete effectively and take reasonable risk.

Budgetary Financial Resources (dollars)

2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
4,677,598	4,725,409	4,773,718

Human Resources (FTEs)

2015–16	2016–17	2017–18
31	31	31

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Provide transparent and timely decisions on regulatory approvals.	Percentage of industry stakeholders that understand somewhat or very well the basis upon which OSFI makes its decisions as part of the approval process.	85%	March 31, 2016
	Percentage of completed applications for regulatory approvals that are processed within established standards.	90%	March 31, 2016

Planning Highlights

The uncertain economic climate continues to pose challenges for many small bank business models, which will present some issues for OSFI as it reviews applications to establish new FRFIs (i.e. "new entry"). There continues to be a high degree of interest in new entry, particularly in the regime for federal credit unions that came into force in December 2012. The Approvals and Precedents sub-program continues to implement new processes for reviewing new entry applications and to monitor their roll-out to determine if further adjustments may be required. In addition, this sub-program expects a high volume of approval requests for reinsurance arrangements with unregistered related reinsurers, as a result of regime changes introduced in 2014.

Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans

Description

This program involves regulating and supervising federally regulated private pension plans to determine whether they are meeting minimum funding requirements and are complying with their governing laws and supervisory requirements. This program provides risk assessments of pension plans covering employees in federally regulated areas of employment. It ensures timely and effective intervention and feedback to protect the interests of plan members and beneficiaries, while recognizing that plan administrators are ultimately responsible and that plans can fail to pay the expected benefits. This program also provides a balanced relevant regulatory framework and a prudentially effective and responsive approvals process.

This program incorporates activities pertaining to risk assessment and intervention, regulation and guidance, and approvals and precedents related to federally regulated private pension plans under the Pension Benefits Standards Act, 1985 and the Pooled Registered Pension Plans Act. The costs for this program are recovered from pension plan fees based on the number of members in each federally regulated pension plan.

Budgetary Financial Resources (dollars)

2015–16 Main Estimates	2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
4,105,818	4,105,818	4,149,267	4,193,198

Human Resources (FTEs)

2015–16	2016–17	2017–18
28	28	28

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Issues in plans are identified and acted on at an early stage.	Percentage of stage rating increases that are two or more levels within any rolling three month period.	20%	March 31, 2016
OSFI is perceived as being effective in monitoring and supervising pension plans.	Percentage of industry stakeholders that rate OSFI as "somewhat effective" or "very effective" in monitoring and supervising their pension plan(s).	75%	March 31, 2016
Guidance effectively communicates OSFI's expectations.	Percentage of industry stakeholders that rate OSFI Guidance as "somewhat effective" or "very effective" in providing	75%	March 31, 2016

	an indication of OSFI's expectations.		

Planning Highlights

As part of anticipating and responding to risks and completing the post-crisis reform agenda, this program will focus on:

- Continuing to support the implementation of Pooled Registered Pension Plans through the development of appropriate supervisory approaches and external guidance as well as through cooperation with provincial pension authorities.
- Reviewing and adjusting supervisory approaches applicable to defined contribution pension plans, as appropriate.

These efforts will continue to contribute to reaching or exceeding established performance targets.

Strategic Outcome Two: A financially sound and sustainable Canadian public retirement income system

Program 2.1: Actuarial Valuation and Advisory Services

Description

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. This program plays a vital and independent role in this process. It provides checks and balances on the future costs of the different pension plans under its responsibilities.

This program provides a range of actuarial services, under legislation, to the CPP stakeholders and several federal government departments. It conducts statutory actuarial valuations of the CPP, Old Age Security (OAS), Employment Insurance (EI) and Canada Student Loans programs, and pension and benefits plans covering the Federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament.

The Office of the Chief Actuary (OCA) is funded by fees charged for its actuarial valuation and advisory services and by an annual parliamentary appropriation.

Budgetary Financial Resources (dollars)

2015–16 Main Estimates	2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
6,130,074	6,130,074	6,198,059	6,266,858

Human Resources (FTEs)

2015–16	2016–17	2017–18
37	37	37

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Stewards of Canada's public retirement income system receive accurate, high quality and timely professional actuarial services and advice.	Attestation of panel of three Canadian peer actuaries selected by an international independent body that the OCA provides accurate, high quality and professional	100% agreement among all three members of peer review panel	March 31, 2016

Expected Results	Performance Indicators	Targets	Date to be Achieved
	services and advice.		
	Use of the OCA's work by the Office of the Auditor General (OAG) as an independent evidence for Public Accounts Canada.	Confirmation from the OAG	March 31, 2016
	Reports are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2016

Planning Highlights

As part of the OCA's commitment to provide checks and balances on the future costs of the different pension plans and social programs within its scope of responsibility, the OCA will prepare several statutory reports in 2015-16.

Other projects planned include the publication of several actuarial studies and the implementation of recommendations from the most recent independent peer review. The OCA will also continue to provide expert actuarial advice and services to provincial Ministries of Finance and federal government departments such as the Treasury Board Secretariat, Employment and Social Development Canada (ESDC), Finance Canada, Department of Justice, and the Privy Council Office.

In conducting its work, the OCA will strive to meet or exceed its accuracy, quality, and timeliness performance targets.

Sub-Program 2.1.1: Services to the Canada Pension Plan and Old Age Security Program

Description

This program involves the preparation of statutory actuarial valuations and providing expert actuarial advice and services on the Canada Pension Plan (CPP) and Old Age Security (OAS) Program. These valuations estimate the financial status of these plans and programs as required by legislation. This program estimates long-term expenditures, revenues and current liabilities of the Canada Pension Plan and estimates long-term future expenditures for Old Age Security programs. Pursuant to the Canada Pension Plan and the Public Pensions Reporting Act, the Office of the Chief Actuary prepares statutory triennial actuarial reports on the financial status of these programs, as required by legislation.

Budgetary Financial Resources (dollars)

2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
2,370,284	2,396,007	2,422,028

Human Resources (FTEs)

2015–16	2016–17	2017–18
13	13	13

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Provide accurate, high quality and timely actuarial valuations informing Canada Pension Plan (CPP) and Old Age Security (OAS) stakeholders and Canadians of the current and projected financial status of the Plan and Program.	CPP actuarial valuations are deemed accurate and high quality.	100%	March 31, 2016
	Percentage of recommendations from the previous peer review report and within the scope and influence of the OCA that are implemented before the next peer review.	80%	March 31, 2017
	Reports on CPP and OAS are provided to the Minister for tabling in Parliament as per statutory deadlines.	100%	March 31, 2016

Planning Highlights

In 2015-16, the OCA will begin work on the 27th Actuarial Report on the Canada Pension Plan as at December 31, 2015. This triennial report projects CPP revenues and expenditures over a 75-year period in order to assess the future impact of historical and projected demographic and economic trends. The CPP is one of the cornerstones of Canada's retirement income system and is financed by contribution revenues and investment returns. Work on the 27th Report will include addressing and implementing some of the recommendations resulting from the CPP triennial review conducted by the federal, provincial and territorial ministers of Finance in 2014-15 and the independent peer review performed in 2013-14.

Sub-Program 2.1.2: Services to Public Sector Pension and Insurance Programs

Description

This program involves the preparation of statutory actuarial valuations of various federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans as required by legislation. Pursuant to the Public Pensions Reporting Act, this program involves preparing statutory triennial actuarial reports on the financial status of federal public sector employee pension and insurance plans covering the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police, the federally appointed judges and Members of Parliament. This program provides actuarial information to decision makers, parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system. It serves the public interest by ensuring good governance of the plans, appropriate disclosure in the actuarial reports and contributing to the overall accountability of the plans sponsor to various stakeholders. This program also involves the provision of sound actuarial advice that assists different government departments in the design, funding and administration of these plans. As part of this program, the Chief Actuary submits the actuarial reports to the President of Treasury Board.

Budgetary Financial Resources (dollars)

2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
3,135,790	3,169,866	3,204,337

Human Resources (FTEs)

2015–16	2016–17	2017–18
20	20	20

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Provide accurate, high quality and timely actuarial valuation reports on Public Pension and Insurance Plans to departments to assist with design, funding and administration of the plans.	Public Pension and Insurance Plans valuations are deemed accurate and high quality.	100%	March 31, 2016
	Reports on actuarial valuation of Public Pensions and Insurance Plans are provided to the President of Treasury Board for tabling in Parliament as per statutory deadlines.	100%	March 31, 2016

Planning Highlights

The OCA will submit to the President of the Treasury Board the Actuarial Reports on the Pension Plan for the Public Service of Canada as at March, 31 2014 and the Public Service Supplementary Death Benefit as at March 31, 2014. The work on the Actuarial Report on the Pension Plan for the Royal Canadian Mounted Police as at March 31, 2015 will also start in 2015-16. These reports provide actuarial information to decision makers, Parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system.

This sub-program also involves the provision of sound actuarial advice that assists different government departments such as the Treasury Board Secretariat, Veterans Affairs Canada, National Defense, Royal Canadian Mounted Police (RCMP), the Department of Justice, and Public Works and Government Services Canada (PWGSC) in the design, funding and administration of the plans for which they are responsible.

Sub-Program 2.1.3: Services to the Canada Student Loans and Employment Insurance Programs

Description

Pursuant to the Canada Student Financial Assistance Act, the Employment Insurance Act, and Department of Employment and Social Development Act this sub-program involves preparing statutory actuarial valuations of the Canada Student Loans Program (CSLP) and performing the statutory actuarial forecasts and estimates necessary to set the Employment Insurance premium rate under Section 66 of the Employment Insurance Act.

Budgetary Financial Resources (dollars)

2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
624,000	632,186	640,493

Human Resources (FTEs)

2015–16	2016–17	2017–18
4	4	4

Performance Measurement

Expected Results	Performance Indicators	Targets	Date to be Achieved
Provide accurate, high quality and timely actuarial valuation reports on Canada Student Loans Program (CSLP) and Employment Insurance (EI) to inform stakeholders and Canadians of the future costs and rates for these programs.	Use of the OCA's actuarial valuation of the CSLP by the Office of the Auditor General (OAG) as an external audit evidence for the Public Accounts of Canada.	100%	March 31, 2016
	Actuarial reports on CSLP and EI programs are submitted to the Minister/Employment Insurance Commissioner for tabling in Parliament as per statutory deadlines.	100%	March 31, 2016

Planning Highlights

This sub-program involves the conduct of statutory actuarial valuations of various Government of Canada social programs. The OCA will submit, to the appropriate authority, the statutory Actuarial Report on the Canada Student Loans Program as at July 31, 2014, the 2016 Employment Insurance Premium Rate Report, the Actuarial Report on the Government Annuities as at March 31, 2015, and the Actuarial Report on the Civil Service Insurance Program as at March 31, 2015. Work on the Inter-Valuation Report on the Canada Student Loans Program as at July 31, 2015 will also begin in 2015-16.

Internal Services

Description

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. Internal services include only those activities and resources that apply across an organization, and not those provided to a specific program. The groups of activities are Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; and Acquisition Services.

Budgetary Financial Resources (dollars)

2015–16 Main Estimates	2015–16 Planned Spending	2016–17 Planned Spending	2017–18 Planned Spending
58,741,742	58,741,742	73,145,748	58,474,756

Human Resources (FTEs)

2015–16	2016–17	2017–18
201	201	201

Planning Highlights

Over the planning period, an emphasis will be placed on containing and monitoring OSFI's spending in line with OSFI's responsible spending practices. The internal services function will also focus on the following:

- Continuing to identify and meet employees' evolving learning needs, with an emphasis on the training needs of supervisory staff added in recent years.
- Identifying and implementing enhancements to resource allocation processes to enable greater flexibility and timeliness in response to shifting priorities while maintaining a targeted headcount cap.
- Assessing the Government of Canada's (GoC) Shared IT Services programs and services and integrating them with OSFI's information management and technology (IM/IT) requirements and plans.
- Supporting the implementation of planned systems and organizational changes with timely and effective change management practices.
- Developing the roadmap for OSFI's future workplace with the view of enhancing organizational effectiveness and efficiency. The roadmap will be developed in anticipation of new office lease arrangements to be put in place in the next three years, including the acquisition of office space for the relocation of the Toronto office.

- Pursuing the implementation of the Enterprise Information Management program to enhance the management of OSFI's information assets and comply with applicable legislation and GoC policies and directives.
- Continuing to improve the governance of data provided by FRFIs and pension plans as well as data management processes to ensure accurate and timely analysis for FISC partners, while minimizing burden on filers and OSFI.
- Developing and implementing a strategy to enhance IT security controls and governance processes to ensure OSFI remains proactive in protecting the information and infrastructure assets in its possession.

Section III: Supplementary Information

Future-Oriented Statement of Operations

The future-oriented condensed statement of operations provides a general overview of OSFI's operations. The forecast of financial information on expenses and revenues is prepared on an accrual accounting basis to strengthen accountability and to improve transparency and financial management.

Because the future-oriented condensed statement of operations is prepared on an accrual accounting basis, and the forecast and planned spending amounts presented in other sections of the Report on Plans and Priorities are prepared on an expenditure basis, amounts differ.

A more detailed future-oriented statement of operations and associated notes, including a reconciliation of the net cost of operations to the requested authorities, can be found on OSFI's website[iv].

Future-Oriented Condensed Statement of Operations
For the Year Ended March 31 (dollars)

Financial information	Estimated Results 2014–15	Planned Results 2015–16	Change
Total expenses	150,000,000	150,000,000	0
Total revenues	150,000,000	150,000,000	0
Net cost of operations	0	0	0

OSFI matches its revenues to its costs. The difference between the figures above and the planned spending amounts provided in other sections of the RPP is due to a different basis of accounting and relates to non-respendable revenues, amortization of capital and intangible assets, and severance pay liability adjustments.

During 2014-15, OSFI identified opportunities to constrain expense growth, generate savings and reduce costs that, altogether, result in planned expenses in 2015-16 being held constant to the previous year. For more information, refer to the Future-Oriented Statement of Operations found on OSFI's web site.

Supplementary Information Tables

The supplementary information tables listed in the *2015–16 Report on Plans and Priorities* can be found on OSFI's website[v].

- Departmental Sustainable Development Strategy; and
- Upcoming Internal Audits Over the Next Three Fiscal Years.

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*[vi] publication. The tax measures presented in the *Tax Expenditures and Evaluations* publication are the responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

Office of the Superintendent of Financial Institutions
255 Albert Street
Ottawa, Ontario K1A 0H2

Phone: 1-800-385-8647
Fax: 1-613-952-8219
E-mail: webmaster@osfi-bsif.gc.ca
Web: http://www.osfi-bsif.gc.ca/Eng/Pages/default.aspx

Appendix: Definitions

appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures: Include operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report: Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent: Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures: Include net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending: For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plans: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

Program Alignment Architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities: Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

Strategic Outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target: A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

i. Office of the Superintendent of Financial Institutions Act, http://laws-lois.justice.gc.ca/eng/acts/O-2.7/

ii. Whole-of-government framework, http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx

iii. *2015–16 Main Estimates*, http://www.tbs-sct.gc.ca/ems-sgd/esp-pbc/me-bpd-eng.asp

iv. Future-Oriented Financial Statements, http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/Pages/default.aspx

v. OSFI's Reports on Plans and Priorities, http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/rpp/Pages/default.aspx

vi. Government of Canada Tax Expenditures, http://www.fin.gc.ca/purl/taxexp-eng.asp

Office of the Superintendent of Financial Institutions

FUTURE-ORIENTED STATEMENT OF OPERATIONS

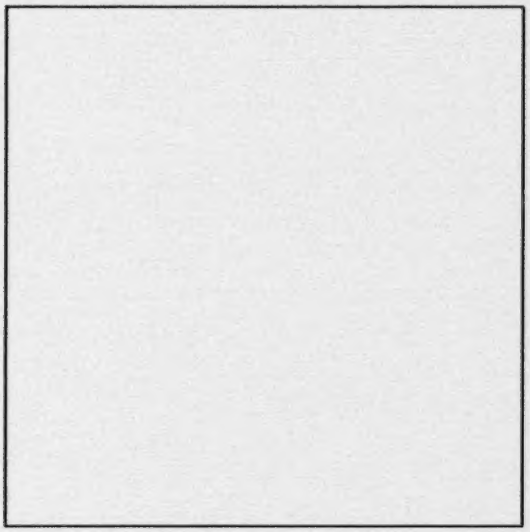
For the years ending March 31, 2015 and 2016

Statement of Management Responsibility for the Future-Oriented Statement of Operations

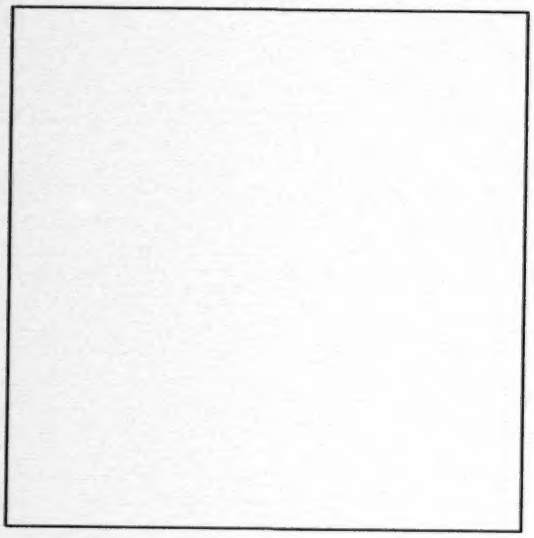
Responsibility for the compilation, content and presentation of the *Future-Oriented Statement of Operations* and accompanying notes for the years ending March 31, 2015 and 2016 rests with the Office of the Superintendent of Financial Institutions' (OSFI's) management, including the appropriateness of the underlying assumptions. This *Future-Oriented Statement of Operations* has been prepared by management based on the best information available and assumptions adopted as at October 29, 2014, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The actual results achieved for the fiscal years covered in the accompanying *Future-Oriented Statement of Operations* will vary from the forecast information presented and these variations may be material.

The *Future-Oriented Statement of Operations* has not been audited.



Michele Bridges, CPA, CGA
Chief Financial Officer



Jeremy Rudin
Superintendent of Financial Institutions

Ottawa, Canada
January 6, 2015

Office of the Superintendent of Financial Institutions

FUTURE-ORIENTED STATEMENT OF OPERATIONS

For the years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

	Note	Planned Results 2016	Estimated Results 2015
Regulation and Supervision of Federally Regulated Financial Institutions			
Revenue	10, 11	$ 134,596	$ 134,738
Expenses	10, 11	134,596	134,7
Net Results before Filing Penalties Revenue			-
Administrative Monetary Penalties Revenue	12	200	200
Administrative Monetary Penalties Revenue Earned on Behalf of the Government		(200)	(200)
Net Results		-	
Regulation and Supervision of Federally Regulated Private Pension Plans			
Revenue	10, 11	7,153	7,2
Expenses	10, 11	7,153	7,2
Net Results		-	
Actuarial Valuation and Advisory Services			
Revenue	10, 11	7,306	7,1
Expenses	10, 11	8,251	8,0
Net Results		(945)	(94
NET RESULTS OF OPERATIONS BEFORE GOVERNMENT FUNDING		(945)	(94
Government Funding	8	945	9
NET RESULTS OF OPERATIONS		$ -	$ -

The accompanying notes form an integral part of this *Future-Oriented Statement of Operations.*

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

1. AUTHORITY AND OBJECTIVES

Mandate

The Office of the Superintendent of Financial Institutions (OSFI) was established by the *Office of the Superintendent of Financial Institutions Act* (OSFI Act) in 1987. Pursuant to the *Financial Administration Act* (FAA), OSFI is a division of the Government of Canada for the purposes of that Act and is listed in schedule I.1 of the Act. The Government of Canada is OSFI's parent and the ultimate controlling party of OSFI.

In 1996, OSFI subsequently received a legislated mandate that clarified its objectives in the regulation and supervision of federal financial institutions and pension plans. In support of a safe and sound Canadian financial system, OSFI's mandate under the legislation is to:

- Supervise federally regulated financial institutions (FRFIs) and pension plans to determine whether they are in sound financial condition and meeting minimum plan funding requirements respectively, and are complying with their governing law and supervisory requirements;
- Promptly advise institutions and plans in the event there are material deficiencies and take, or require management, boards or plan administrators to take, necessary corrective measures expeditiously;
- Advance and administer a regulatory framework that promotes the adoption of policies and procedures designed to control and manage risk;
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

The Office of the Chief Actuary provides a range of actuarial valuation and advisory services, under the *Canada Pension Plan Act* and the *Public Pensions Reporting Act* to the Canada Pension Plan (CPP) and some federal government departments, including the provision of advice in the form of reports tabled in Parliament.

Revenue and spending authority

Pursuant to Section 17 of the OSFI Act, the Minister of Finance may spend any revenues collected under Sections 23 and 23.1 of the OSFI Act to defray the expenses associated with the operation of OSFI. The Act also establishes a ceiling for expenses at $40 million above the amount of revenue collected to be drawn from the Consolidated Revenue Fund of Canada (CRF).

OSFI's revenues comprise assessments, service charges and fees. The expenses against which assessments may be charged include those in connection with the administration of the *Bank Act*, the *Cooperative Credit Associations Act*, the *Green Shield Canada Act*, the *Insurance Companies Act*, the *Protection of Residential Mortgage or Hypothecary Insurance Act* and the *Trust and Loan Companies Act*. The formula for the calculation of assessments is included in regulations.

Subsections 23(1.1) and 23(5) of the OSFI Act provide that assessments may be charged for the administration of the *Pension Benefits Standards Act, 1985* (PBSA, 1985) and the *Pooled Registered Pension Plans Act*. The assessments for the administration of pension plans subject to the PBSA are set annually in accordance with the *Assessment of Pension Plans Regulations*.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

1. AUTHORITY AND OBJECTIVES (continued)

Section 23.1 of the OSFI Act provides that the Superintendent may assess against a person a prescribed charge ("service charge") and applicable disbursements for any service provided by or on behalf of the Superintendent for the person's benefit or the benefit of a group of persons of which the person is a member. "Person" includes individuals, corporations, funds, unincorporated associations, Her Majesty in Right of Canada or of a province, and a foreign government. The service charges are detailed in the regulations.

Pursuant to Section 16 of the OSFI Act, Parliament has provided annual appropriations to support the operations of the Office of the Chief Actuary.

2. BACKGROUND INFORMATION

This *Future-Oriented Statement of Operations* was authorized for issue by the Superintendent of Financial Institutions on January 6, 2015. OSFI's principal activities are described in Note 1. The head office is located at 255 Albert Street in Ottawa, Ontario, Canada.

3. SIGNIFICANT ASSUMPTIONS

The *Future-Oriented Statement of Operations* has been prepared on the basis of the government priorities and the plans of the agency as described in OSFI's *2015-2016 Report on Plans and Priorities*. The significant assumptions are as follows:

(a) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience and trends, as well as known new requirements.
(b) The employee benefit rate in 2014-2015 is the rate prescribed by the Treasury Board Secretariat (TBS) at the beginning of the 2014-2015 fiscal year, while the rate for 2015-2016 is the rate provided by TBS for the 2015-2016 Annual Reference Level Update.
(c) Salary economic adjustments for 2014-2015 and 2015-2016 represent OSFI's best estimates at the time this *Future-Oriented Statement of Operations* was prepared. OSFI's collective agreements expired on March 31, 2014.
(d) The estimated results reflect management's most recent estimate, following an internal budget review that was conducted in fall 2014. The estimated results assume that OSFI's expenses will remain constant for the 2014-2015 and 2015-2016 fiscal years. It also assumes that there will be no changes to OSFI's funding model.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

4. VARIATIONS AND CHANGES TO THE FORECAST FINANCIAL INFORMATION

While every attempt has been made to reasonably forecast results for the remainder of the year ending March 31, 2015 and for the year ending March 31, 2016, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this *Future-Oriented Statement of Operations*, OSFI has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the *Future-Oriented Statement of Operations* and the historical financial statements include:

(a) The timing and amounts of acquisitions of property, plant and equipment and intangible assets may affect amortization expense.
(b) The implementation of new collective agreements.
(c) Further changes to the operating budget to respond to risks emanating from the economy, the financial system and regulatory reforms.
(d) Fluctuations in the discount rate used to calculate actuarial gains/losses on the severance and sick leave liabilities.
(e) Changes in OSFI's responsibilities, as determined by the Minister of Finance and Parliament.

Once the *2015-2016 Report on Plans and Priorities* is tabled in Parliament, OSFI will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

5. BASIS OF PREPARATION

The *Future-Oriented Statement of Operations* has been prepared on a historical cost basis and is presented in Canadian dollars because that is the currency of the primary economic environment in which OSFI operates.

Statement of compliance

The *Future-Oriented Statement of Operations* of OSFI has been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies are based on the IFRS applicable as at September 30, 2014, and encompasses individual IFRS, International Accounting Standards ("IAS"), and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"). The policies set out below are consistently applied to all periods presented.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

6. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies of OSFI are set out below:

a) Impairment of financial assets

OSFI assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, OSFI first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If OSFI determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the *Statement of Operations*.

b) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the costs of replacing parts of property and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the *Statement of Operations* as incurred.

Depreciation is recorded using the straight-line method over the estimated useful lives of the assets as follows:

Assets	Useful Life
Leasehold improvements	Lesser of useful life or remaining term of the lease
Furniture and fixtures	7 years
Office equipment	4 years
Informatics hardware	3 or 5 years
Informatics infrastructure (Networks)	4 or 5 years
Informatics software	5 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Intangible assets

Intangible assets consist of internally developed and externally purchased software that is not an integral part to the related hardware.

Following initial recognition of the development expenditure as an asset, the historical cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce, and prepare the software to be capable of operating in the manner intended by OSFI.

OSFI holds intangible assets that have finite lives and are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method is reviewed at least at each financial year end. Amortization is calculated using the straight-line method over their estimated useful lives of five years and is recorded in the relevant expense line item depending on the business activity to which the expense pertains.

Amortization of the assets begins when development is complete and the assets are available for use. They are amortized over the period of expected future benefit.

Costs incurred during the pre-development stage are expensed in the period incurred.

d) Impairment of non-financial assets

OSFI assesses at each reporting date whether there are any internal indicators that an asset may be impaired (e.g. damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, OSFI estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. There is no risk of not recovering the carrying amount of the asset given OSFI's ability to recover all costs from federally regulated financial institutions and federally regulated private pension plans.

OSFI asseses internally developed intangible assets not yet in use for impairment on an annual basis.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Employee benefits

i. Short-term benefits

Short-term benefits are recorded in the *Statement of Operations* when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at year end and not discounted. Short-term compensated leave expected to occur within twelve months of the reporting date is classified as short-term employee benefits. OSFI contributes to the Government of Canada sponsored Public Service Health Care Plan and Dental Service Plan for employees. These contributions represent the total obligation of OSFI with respect to these plans.

ii. Post employment benefits

Pension benefits
Substantially all of the employees of OSFI are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI to cover current service cost. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of OSFI.

Severance benefits
On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits. The severance benefits are based upon the final salary of the employee.

The cost of benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The obligation is unfunded. The calculation of the liability is based upon a current market discount rate which is based on the market yields at the valuation date on high quality corporate bonds and other actuarial assumptions, which represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. All actuarial gains (losses) are recognized in the *Statement of Other Comprehensive Income* in the period in which they arise.

Other benefits
The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Service Plan are the two major plans available to OSFI retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by OSFI to cover current service cost. Pursuant to legislation currently in place, OSFI has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of OSFI with respect to these plans.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Other long-term benefits

Sick leave
Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. Any gains and losses are recognized in net results in the period in which they arise.

f) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the *Statement of Operations* on a straight-line basis over the period of the lease.

OSFI does not have borrowing authority and therefore cannot enter into lease agreements that are classified as finance leases. OSFI has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to OSFI of substantially all the benefits and risks incidental to ownership.

OSFI records the costs associated with operating leases in the *Statement of Operations* in the period in which they are incurred.

g) Statement of Operations

The format of the *Statement of Operations* has been designed to show the revenues and expenses by each of OSFI's business lines. It is considered that this format best represents the nature of the activities of OSFI. Expenses have been disclosed by nature in Note 11 of this *Future-Oriented Statement of Operations*.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Revenue recognition

OSFI recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned on the Statement of Financial Position. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At the end of the period, amounts may have been collected in advance of the incurrence of costs or provision of services, or alternatively, amounts may not have been collected and are owed to OSFI.

Base Assessments – Revenue from base assessments is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Base Assessments are billed annually based on an estimate of the current fiscal year's operating costs (an interim assessment) together with a final accounting of the previous year's assessment for actual costs incurred. Assessments are calculated prior to December 31 of each year, in accordance with Section 23(1) of the OSFI Act and the *Assessment of Financial Institutions Regulations, 2001*. Differences between billed estimates and actual costs incurred at the end of the period are recorded as accrued base assessments or unearned base assessments.

Pension Plan Fees are earned from registered pension plans. Fee rates are set annually by regulation based on budgeted expenses, pension plan membership and actual results from previous years. Pension plan fees are charged in accordance with Section 23(2) of the OSFI Act. Revenue from pension plan fees is recognized based on actual costs incurred as services are charged based on cost recovery and all costs are considered recoverable. Differences between the amounts billed to industry and actual cost incurred at the end of the period are recorded as accrued pension plan fees or unearned pension plan fees.

User Fees and Charges include revenue earned pursuant to the *Charges for Services Provided by the Office of the Superintendent of Financial Institutions Regulations, 2002* - as amended from time to time – in respect of legislative approvals and approvals for supervisory purposes, and surcharges assessed to federally regulated financial institutions assigned a "stage" rating pursuant to the Guide to Intervention for Federal Financial Institutions. Assessment surcharges are charged in accordance with the *Assessment of Financial Institutions Regulations, 2001*. Revenue from user fees and charges is recognized by reference to the stage of completion of the service. Percentage of completion is measured based on actual services performed to date as a percentage of total services to be completed.

Administrative Monetary Penalties are penalties levied to financial institutions when they contravene a provision of a financial institutions Act and are charged in accordance with the *Administrative Monetary Penalties (OSFI) Regulations*. Penalties levied are not available to reduce the net costs that OSFI assesses the industry (i.e., they are non-respendable) and are remitted to the Consolidated Revenue Fund when collected. OSFI assesses its Administrative Monetary Penalty revenue against specific criteria in order to determine if it is acting as principal or agent. OSFI has concluded that it is acting as a principal for Administrative Monetary Penalty revenue.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

6. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost-Recovered Services represent revenue earned from sources other than those listed above. These services are provided in accordance with the terms and conditions agreed to by the transacting parties. Revenue from cost-recovered services is recognized based on actual costs incurred and all costs are considered recoverable. Revenue and the matching expenses from cost recovered services not specifically related to the Regulation and Supervision of Federally Related Pension Plans or Actuarial Valuation and Advisory Services are grouped with the Regulation and Supervision of Federally Regulated Financial Institutions on the *Statement of Operations*. This includes items recovered from other government entities including the cost of supervision of the Canada Mortgage and Housing Corporation in accordance with the *National Housing Act*.

i) Provisions

Provisions are recognized when OSFI has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the *Statement of Operations*. If the effect of the time value of money is material, provisions are discounted using a rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized in net results.

j) Government funding

Government funding, including parliamentary appropriations, is recognized where there is reasonable assurance that the funding will be received and all attached conditions will be complied with. When the funding relates to an expense item, it is recognized as income over the period necessary to match the funding on a systematic basis to the costs that it is intended to compensate. The funding and the corresponding expense item are recognized at their gross amounts.

7. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of OSFI's *Future-Oriented Statement of Operations* requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in which case, the impact will be recognized in the financial statements of a future fiscal period.

Judgments

In the process of applying its accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the *Future-Oriented Statement of Operations*:

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

7. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Operating lease commitments – OSFI as lessee

Public Works and Government Services Canada (PWGSC) enters into commercial property leases for OSFI's office space and recovers such cost from OSFI. OSFI also enters into leases for certain office equipment. OSFI has determined, based on an evaluation of the terms and conditions of the arrangements, that significantly all of the risks and rewards of ownership have not been transferred to OSFI and as such accounts for these contracts as operating leases.

Administrative monetary penalty revenue – OSFI as principal

OSFI collects administrative monetary penalties from financial institutions when they contravene a provision of a financial institutions Act . OSFI has determined that it is the principal in the arrangement and has recorded the administrative monetary penalties as revenue.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of revenues, expenses, assets and liabilities within the next financial year are discussed below:

Estimated useful lives of assets

The estimated useful lives of property, plant and equipment and intangible assets are based on management's intentions with respect to the asset, historical experience with the asset, internal asset management plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

Severance benefits

The cost of the defined benefit severance plan as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with an AAA or AA rating and with maturities matching the estimated cash flows of the severance payments. Departure rates are based on experience from the public service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

7. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Sick leave

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, usage rates, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate management considers the interest rates of corporate bonds in Canada with an AAA or AA rating and with maturities matching the estimated sick leave usage. Departure rates are based on experience from the public service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

Discount Rates

Since the estimated cash flows of the severance payments and the estimated sick leave usage are unrelated, the discount rates determined above may differ.

8. RELATED PARTY TRANSACTIONS

a) The ultimate parent

The Government of Canada is the ultimate parent of OSFI, and has control over OSFI.

b) Compensation of Key Management Personnel

Key Management Personnel includes the following positions: the Superintendent, Deputy Superintendents, Assistant Superintendent, the Chief Actuary and all Senior and Managing Directors or equivalent level positions at OSFI. Total compensation forecasted to be paid to key management personnel for the years ending March 31 is provided in the table below.

	2016	2015
Short-term employee benefits (including salaries)	$ 14,215	$ 13,940
Post-employment benefits	5,621	4,954
Other long-term benefits	219	210
Total	$ 20,055	$ 19,104
Average Number of Employees		

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

8. RELATED PARTY TRANSACTIONS (continued)

c) Government related entities

OSFI is related, in terms of common ownership, to all Government of Canada departments, agencies and crown corporations. OSFI enters into transactions with these entities in the normal course of business and on normal trade terms. These transactions are measured at the exchanged amount, which is the amount of consideration established and agreed to by the related parties.

For the year ending March 31, 2015, OSFI forecasts purchases of goods and services of $32,226 (2016 - $33,664) and earned revenue of $11,030 (2016 - $11,250) from transactions with other government departments. Individually these transactions are in the normal course of business. Although most transactions are not individually significant, OSFI forecasts the following individually significant transactions:

Entity	Nature	2016 Expenditure	2015 Expenditure
Treasury Board	Pension contributions, employee benefits and other services	$ 22,423	$ 22,034
PWGSC	Rent and other services	$ 9,065	$ 7,996

Entity	Nature	2016 Revenue	2015 Revenue
Canada Mortgage and Housing Corporation	Cost recovered services	$ 3,200	$ 3,200
Employment and Social Development Canada	Actuarial valuation and advisory services	$ 4,041	$ 3,909

OSFI receives an annual parliamentary appropriation pursuant to Section 16 of the OSFI Act to support its mandate relating to the OCA. OSFI was granted $945 for 2014-2015 and expects to be granted $945 for 2015-2016, which has been recognized into net results and shown on the *Future-Oriented Statement of Operations*. There are no unfulfilled conditions or contingencies attached to this appropriation.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

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(Unaudited)

9. EMPLOYEE BENEFITS - PENSION BENEFITS

Substantially all of the employees of OSFI are covered by the public service pension plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and OSFI. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate forecasted for the end of the year is 11.555 % (2016 - 11.484%). Total contributions of $9,856 (2016 - $9,857) are expected to be recognized as an expense during the year.

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2 percent of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

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(Unaudited)

10. REVENUE AND TOTAL COSTS BY BUSINESS ACTIVITY

Revenue by Business Activity

March 31, 2016	Base Assessments	Cost-Recovered Services	Pension Plan Fees	User Fees and Charges	TOTAL
Regulation and Supervision of Federally Regulated Financial Institutions	$ 128,073	$ 3,969	$ -	$ 2,554	$ 134,596
Regulation and Supervision of Federally Regulated Private Pension Plans	-	-	7,153	-	7,153
Actuarial Valuation and Advisory Services	-	7,306	-	-	7,306
TOTAL REVENUE EARNED FROM RESPENDABLE SOURCES	**$ 128,073**	**$ 11,275**	**$ 7,153**	**$ 2,554**	**$ 149,055**

March 31, 2015	Base Assessments	Cost-Recovered Services	Pension Plan Fees	User Fees and Charges	TOTAL
Regulation and Supervision of Federally Regulated Financial Institutions	$ 127,103	$ 3,951	$ -	$ 3,684	$ 134,738
Regulation and Supervision of Federally Regulated Private Pension Plans	-	-	7,215	-	7,215
Actuarial Valuation and Advisory Services	-	7,102	-	-	7,102
TOTAL REVENUE EARNED FROM RESPENDABLE SOURCES	**$ 127,103**	**$ 11,053**	**$ 7,215**	**$ 3,684**	**$ 149,055**

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

10. REVENUE AND TOTAL COSTS BY BUSINESS ACTIVITY (continued)

Expenses by Business Activity

		2016	2015
Regulation and Supervision of Federally Regulated Financial Institutions			
Risk Assessment and Intervention	$	98,908 $	99,359
Regulation and Guidance		25,101	24,952
Approvals and Precedents		10,587	10,427
Total		**134,596**	**134,738**
Regulation and Supervision of Federally Regulated Private Pension Plans		**7,153**	**7,215**
Actuarial Valuation and Advisory Services			
Public Sector Pension and Insurance Programs		4,237	4,152
Canada Pension Plan and Old Age Security Program		3,390	3,283
Canada Student Loans Program		624	612
Total		**8,251**	**8,047**
TOTAL EXPENSES	**$**	**150,000 $**	**150,000**

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

11. REVENUE AND EXPENSES BY MAJOR CLASSIFICATION

	2016	2015
Revenue		
Base Assessments	$ 128,073	$ 127,103
Cost-Recovered Services	11,275	11,053
Pension Plan Fees	7,153	7,215
User Fees and Charges	2,554	3,684
Total Revenue Earned from Respendable Sources	**149,055**	**149,055**
Expenses		
Human Resources	112,253	111,951
Information Management/Technology	14,943	15,710
Facilities	13,115	11,874
Administration	4,224	3,398
Travel	3,458	3,457
Professional Development	1,357	1,431
Professional Services	650	2,179
Total Expenses	**150,000**	**150,000**
Net Results of Operations before Government Funding and Non-Respendable Administrative Monetary Penalties Revenue	**(945)**	**(945)**
Government Funding	945	945
Administrative Monetary Penalties Revenue	200	200
Administrative Monetary Penalties Earned on Behalf of the Government	(200)	(200)
Net Results of Operations	$ -	$ -
Average Number of Employees	**718**	**718**

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

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(Unaudited)

11. REVENUE AND EXPENSES BY MAJOR CLASSIFICATION (continued)

Human Resources Expenses

	2016	2015
Wages and salaries	$ 88,188	$ 87,757
Other benefits	13,638	13,743
Post-employment benefits other than Severance	9,858	9,856
Other Personnel Costs	287	312
Severance benefits	282	283
Total Human Resources Expenses	**$ 112,253**	**$ 111,951**

12. ADMINISTRATIVE MONETARY PENALTIES

Administrative monetary penalties levied by OSFI are remitted to the CRF. The funds are not available for use by OSFI and are not included in the balance of the Cash Entitlement. As a result, the penalties do not reduce the amount that OSFI assesses the industry in respect of its operating costs. Refer to Note 6 (h) for further information on OSFI's accounting policy as it relates to administrative monetary penalty revenue.

For the year ending March 31, 2015, OSFI is forecasted to levy $200 (2016 - $200) in administrative monetary penalties.

13. OPERATING LEASE ARRANGEMENTS

OSFI enters into operating lease agreements for office space and office equipment in four locations across Canada and contracts for services. These leases have an average life of between one and nine years with no renewal option included in the contracts. There are no restrictions placed upon OSFI when entering into these leases. The forecast minimum aggregate annual payments for future fiscal years can be reasonably estimated as follows:

	2016	2015
Within one year	$ 4,107	$ 8,634
After one year but not more than five years	3,334	7,271
More than five years	43	214
Total	**$ 7,484**	**$ 16,119**

Since some leases expire before the end of 2016, the lease obligations due for 2016 are lower than 2015.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS

Years ending March 31, 2015 and 2016 (in thousands of Canadian dollars)
(Unaudited)

14. PARLIAMENTARY AUTHORITIES

OSFI is funded mainly through assessments on the financial institutions and pension plans that OSFI regulates and supervises, and a user-pay program for selected services as explained in Note 6 (h). Revenues are accounted for on the same basis as expenses, full accrual accounting in accordance with IFRS.

OSFI also receives a small parliamentary appropriation of $945 for actuarial services relating to public sector employee pension and insurance plans. The appropriation represents approximately 0.6% of OSFI's annual budget and is recognized as Government Funding in the *Future-Oriented Statement of Operations*.